

MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, IN 46204
July 11, 2003

REGULAR SESSION

Trustees Present

Jonathan Birge, Chair
Richard Doermer, Vice Chair
Garland E. Ferrell
Connie R. Thurman
Nancy Turner

Others Present

Mike Adkins, CSC
Mary Beth Braitman, Ice Miller
Stephanie Braming, Mercer Investment Consulting
Paul Corning, CSC
Mike Leach, CSC
Doug Todd, McCready & Keene, Inc.
Scarlett Ungrean, Mercer Investment Consulting

PERF Staff

Craig Hartzer, PERF Executive Director
Caroline Bradley, PERF Internal Auditor
Diann Clift, PERF MIS Director
Patricia Gerrick, PERF Chief Investment Officer
Ed Gohmann, PERF Legal Counsel
Leisa Julian, PERF Chief Financial Officer
Patrick Lane, Communication Director
Sandy Gettle, Minute Writer

ITEMS MAILED TO THE BOARD PRIOR TO MEETING.

- A. Agenda of July 11, 2003 Investment Committee Meeting
- B. Minutes:
 - ☐ May 9, 2003 Investment Committee Meeting (Revised)
 - ☐ June 13, 2003 Investment Committee Meeting
- C. Global/International Equity Recommendation
- D. International Equity Recommendation, Mercer Investment Consulting
- E. Brown Capital Management International Equity Analysis and Presentation
- F. Summary Report, Minority and Women Owned Investment Managers

- G. GE Recommendation
- H. Summary, Global/International Equity Recommendations
- I. Agenda, July 11, 2003 Benefits Administration Committee Meeting
- J. Minutes:
 - May 30, 2003 Board of Trustees Meeting
Resolution No. 03-2
 - June 13, 2003 Board of Trustees Meeting
- K. CSC Introduction and Security Project Update
- L. Formation Agreement Among PERF, TRF, IT Services, Inc.
- M. Executive Summary, Joint PERF/TRF Information Technology Services Entity
- N. Resolution No. 03-4
- O. Comparison of PERF Ethics Policies and State Ethics Rules
- P. Current Ethics Policy
- Q. State Ethics Commission Rules
- R. Pick-Up of Voluntary Contributions, History, Overview
- S. Resolution No. 03-3

I. APPROVAL OF MINUTES.

MOTION duly made and carried to approve the Minutes of the May 30, 2003 Board of Trustees Meeting.

Proposed by: Dick Doermer
Seconded by: Garland Ferrell
Votes: 5 for, 0 against, 0 abstentions.

MOTION duly made and carried to approve the Minutes of the June 13, 2003 Board of Trustees Meeting.

Proposed by: Connie Thurman
Seconded by: Nancy Turner
Votes: 5 for, 0 against, 0 abstentions.

II. OLD BUSINESS.

There was no old business.

III. NEW BUSINESS

A. Computer Sciences Corporation (CSC). Craig Hartzler introduced Mike Adkins, Mike Leach, and Paul Corning of CSC, a cyber/physical security firm engaged by PERF. They gave an overview of CSC, and the security work proposed for PERF, explaining that CSC provides assessment, planning and design, implementation, and maintenance of security systems. Mike Leach established the need for the services of CSC and described the concurrent security assessment work processes: cyber-security vulnerability and architecture assessment, physical security assessment, policy procedure and user awareness assessment, and business process, application and data assessment. He emphasized the accountability of PERF for its own security. The charts targeted August 29, 2003 as the date of completion.

B. Information Technology Corporation. Mr. Hartzler asked the Board members to review the draft Formation Agreement between PERF, TRF and a non-profit entity that would be jointly owned by PERF and TRF to jointly run IT services for the two funds, IT Services, Inc. Mary Beth Braitman referred to the Executive Summary in the Board book materials and explained the flexibility of the proposed structure. Mr. Hartzler emphasized the need for this company to be in operation by January because Covansys will be gone in March. In response to Garland Ferrell's question about employee security, Ms. Braitman said the hiring process would match the highest security level of both PERF and TRF. Mr. Ferrell expressed concern about ownership of proprietary information. Ms. Braitman explained the "Administration of Claims" paragraph as a simple way to settle claims, and said there is an "exit strategy." Mr. Hartzler promised policy procedures and agreements about prioritizing work for PERF and TRF.

MOTION duly made and carried to approve the formation of IT Services, Inc.

Proposed by: Connie Thurman

Seconded by: Dick Doermer

Votes: 5 for, 0 against, 0 abstentions.

C. Ethics Policy. Mr. Hartzler reminded the Board that they once opted out of the State Ethics Commission's rules and statutes, and recommended that they again operate under the State Ethics Commission. Ms. Braitman referred to the chart comparing PERF's Ethics

Policy to the State Ethics Commission policy, and emphasized the fact that the provisions regarding investments were included in PERF's Investment Policy. Ed Gohmann gave his reasons for re-adopting the State's ethics policy: the State provides training, they provide formal and informal advisory opinions, a web site, and enforcement structure. Mr. Ferrell felt PERF might again become a State agency by accepting the State's ethics policy. Mr. Hartzler said the Commission is an independent check plus training for colleagues.

MOTION duly made and carried to approve Resolution 03-4 providing that PERF operate under the jurisdiction and rules adopted by the State Ethics Commission.

Proposed by: Nancy Turner
Seconded by: Dick Doermer
Votes: 5 for, 0 against, 0 abstentions.

Patricia Gerrick had prepared a Personal Trading Policy Agreement for her staff, which provided a higher degree of protection and which would be adopted separately. Mr. Hartzler said the document represents best practices from other public employee pension funds. Board members discussed the prospect of monitoring transactions and agreed to reconsider the matter at the next Board meeting.

D. Voluntary Contribution Resolution. Mr. Hartzler presented Resolution 03-3 for Participation by PERF in the Pick-Up of Additional Employee Contributions.

MOTION duly made and carried to approve Resolution 03-3 providing that PERF participate in the pick-up of additional employee contributions.

Proposed by: Garland Ferrell
Seconded by: Dick Doermer
Votes: 5 for, 0 against, 0 abstentions.

E. Mitchell Schools. When the Board approved new units at the May meeting, there was a mistake with regard to the Mitchell School Corporation's purchase of prior service for the employees. The document should be corrected to indicate purchase of prior service to July 1, 1998. By consensus the Board approved the correction of the previous resolution.

F. Benefits Committee Report. All members of the Board were present for the Benefits Committee meeting, so the report was unnecessary.

F. Investment Committee. Mr. Doermer reported approval of assignment to Capital Guardian of a global growth equity portfolio of \$200 million. The committee resolved to drop General Electric as one of PERF's managers. The committee will issue an international growth and value request for proposal.

MOTION duly made and carried to approve assignment of approximately \$200 million to Capital Guardian and to drop General Electric as an investment manager.

Proposed by: *Garland Ferrell*
Seconded by: *Connie Thurman*
Votes: *5 for, 0 against, 0 abstentions.*

G. New Resolutions. Mr. Hartzer announced Leisa Julian's move from Chief Financial Officer to Chief Legal Counsel for PERF. Chairman Birge read Resolution 03-06 recognizing Lynda Duncan for her service to PERF and Resolution 03-05 recognizing Edward Gohmann for his service to PERF.

IV. REPORT OF EXECUTIVE DIRECTOR.

A. Operations Update. Executive Director Craig Hartzer deferred his Operations Update in the interest of saving time. No budget figures were available because of the year-end closeout and the quarterly closeout.

V. DATE OF NEXT MEETING. DATE OF NEXT MEETING. The next meeting will be held on September 12, 2003.

VI. ADJOURNMENT. There being no other business, the meeting was adjourned.

DRAFT

SUMMARY RECORD

BOARD OF TRUSTEES MEETING – JULY 11, 2003

MOTIONS:

- To approve the Minutes of the May 30, 2003 and June 13, 2003 Board of Trustees Meetings.
- To approve the formation of IT Services, Inc.
- To approve Resolution 03-4 providing that PERF operate under the jurisdiction and rules adopted by the State Ethics Commission.
- To approve Resolution 03-3 providing that PERF participate in the pick-up of additional employee contributions.
- To approve assignment of approximately \$200 million to Capital Guardian and to drop General Electric as an investment manager.